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Thomas J. Sadowski
Director

MEMORANDUM

TO: Agency Payroll/Personnel/Fiscal Officers

FROM: Division of Accounting

DATE: February 1, 2006

RE: Payroll Deduction Policy of Debts Owed to the State

Per 33.103.2(4) RSMo, "2. The commissioner of administration may, in the same manner, deduct from any state employee's compensation warrant: (4) Any amount determined to be owed by the employee to the state in accordance with guidelines established by the commissioner of administration which shall include notice to the employee and an appeal process;"

The Office of Administration has provided a mechanism in the state payroll system to deduct from employee pay for debts owed the state. These are typically situations where state property has not been returned or an employee has purchased items with state funds for personal use. Your agency is in the best position to determine the details of the situation, the cost/benefit of recovering the item or deducting from pay, the valuation methodology and the employee's status with your agency as you determine the timing of payroll subject to withholding.

When an agency has determined that an employee owes money to the state, the following guidelines should be followed to recover those monies. Please contact the Office of Administration, Division of Accounting Central Payroll Unit at any point during this process if you have any questions or concerns.

- 1) Notify the employee of the claim, with supporting documentation to prove the individual owes the amount due or has state property in his/her possession.
- 2) Give the employee sufficient time, given the circumstances of the situation, to appeal the claim and present any evidence to support his/her position.

- 3) Request that the employee pay the amount due or return any state property in their control. Inform the employee that if not done by a specific date, then specify the payroll check date when the specific amount will be withheld.
- 4) When sufficient time has been given and the employee has not provided proof that they do not owe the state the amount in dispute, a request should be made to the Office of Administration, Division of Accounting Central Payroll Unit to withhold the amount from the employee's next paycheck. The request must include documentation of the previous due process steps.
- 5) If the repayment is from regular wages, the employee is legally entitled to be paid minimum wage for the hours worked in the pay period being paid. The entire paycheck cannot be withheld in this instance for debts owed the state.
- 6) If the repayment is withheld as part of annual or compensatory leave payouts, then the entire check, less payroll taxes, may be withheld to offset the amount owed the state. These withholdings are considered after tax deductions.